CPP ANNUAL USE OF CAPITAL SURVEY - 2010

NAME OF INSTITUTION
(Include Holding Company Where Applicable)

Pulaski Financial Corp.

Point of Contact:	Paul Milano, CFO	RSSD: (For Bank Holding Companies)	N/A
UST Sequence Number:	507	Docket Number: (For Thrift Holding Companies)	H3185
CPP/CDCI Funds Received:	32,538,000	FDIC Certificate Number: (For Depository Institutions)	30284
CPP/CDCI Funds Repaid to Date:		Credit Union Charter Number: (For Credit Unions)	N/A
Date Funded (first funding):	January 16, 2009	City:	St. Louis
Date Repaid[1]:	N/A	State:	Missouri

[1]If repayment was incremental, please enter the most recent repayment date.

American taxpayers are quite interested in knowing how banks have used the money that Treasury has invested under the Capital Purchase Program (CPP) and Community Development Capital Initiative (CDCI). To answer that question, Treasury is seeking responses that describe generally how the CPP/CDCI investment has affected the operation of your business. We understand that once received, the cash associated with TARP funding is indistinguishable from other cash sources, unless the funds were segregated, and therefore it may not be feasible to identify precisely how the CPP/CDCI investment was deployed or how many CPP/CDCI dollars were allocated to each use. Nevertheless, we ask you to provide as much information as you can about how you have used the capital Treasury has provided, and how your uses of that capital have changed over time. Treasury will be pairing this survey with a summary of certain balance sheet and other financial data from your institution's regulatory filings, so to the extent you find it helpful to do so, please feel free to refer to your institution's quarterly call reports to illustrate your answers. This is your opportunity to speak to the taxpayers in your own words, which will be posted on our website.

What specific ways did your institution utilize CPP/CDCI capital? Check all that apply and elaborate as appropriate, especially if the uses have shifted over time. Your responses should reflect actions taken over the past year (or for the portion of the year in which CPP/CDCI funds were outstanding).

X **Increase lending or reduce lending less than otherwise would have occurred.**

See response below.

X **To the extent the funds supported increased lending, please describe the major type of loans, if possible (residential mortgage loans, commercial mortgage loans, small business loans, etc.).**

See response below.

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☐ **Increase securities purchased (ABS, MBS, etc.).**

☐ **Make other investments.**

☐ **Increase reserves for non-performing assets.**

X **Reduce borrowings.**

At the time the funds were received, the holding company repaid $7.65 million of senior debt of the company, $5 million of which had previously been invested in the subsidiary bank as additional paid in capital.

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☐ **Increase charge-offs.**

☐ **Purchase another financial institution or purchase assets from another financial institution.**

X **Held as non-leveraged increase to total capital.**

See response below.

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What actions were you able to avoid because of the capital infusion of CPP/CDCI funds?

The holding company was able further strengthen its subsidiary bank's regulatory capital levels above the minimum levels to be considered "well capitalized" at a time when banking regulators were generally requiring banks to hold higher capital levels. As a result, the bank was able to avoid curtailment of its lending activities because of capital constraints.

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What actions were you able to take that you may not have taken without the capital infusion of CPP/CDCI funds?

The CPP capital was initially used to increase the regulatory capital levels at the subsidiary bank. For example, the bank's total risk-based capital ratio as of the quarter end immediately preceding the receipt of the funds (December 31, 2008) was 10.26%. On a pro forma basis after giving effect to receipt of the funds, the bank's December 31, 2008 total risk-based capital ratio would have been 12.02%. This allowed the bank to maintain a safe margin of capital above the minimum levels to be considered "well capitalized" and to continue lending to its commercial and residential customers. Total mortgage and nonmortgage loans (including mortgage loans held for sale to investors) increased approximately 5% to $1.28 billion at December 31, 2009 from $1.22 billion at December 31, 2008, and further increased approximately 3% during 2010 to $1.32 billion at December 31, 2010. Loan originations for the year ended December 31, 2010 totaled $2.39 billion compared with $2.79 billion in 2009. Loan originations for 2010 included $2.07 billion in single family mortgage loans (including $1.99 billion in loans originated for sale in the secondary market), $322.4 million in commercial real estate and commercial nonmortgage loans and $1.1 million in consumer loans.

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Please describe any other actions that you were able to undertake with the capital infusion of CPP/CDCI funds.

The CPP capital was initially used to increase the regulatory capital levels at the subsidiary bank. As a result of its stronger capital position, the bank had more flexibility to proactively work with its borrowers who were experiencing financial difficulties in the current economic climate by modifying their loan repayment terms (referred to as "troubled debt restructurings") with the belief that these actions would allow more borrowers to remain in their homes while maximizing the bank's recoveries on these loans. Troubled debt restructurings increased approximately 33% from $22.5 million at December 31, 2008 to $31.0 million at December 31, 2009 and further increased approximately 7% during 2010 to $33.3 million at December 31, 2010.